

Message Text

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PAGE 01 STATE 042910
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FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA

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E.O. 11652: N/A

SUBJECT: AUSTRALIAN BRANCH PROFITS TAX

1. BILATERAL ASPECTS OF BRANCH PROFITS TAX RELATE PRINCIPALLY TO NONDISCRIMINATION PROVISIONS IN INCOME TAX TREATIES. STANDARD OECD NONDISCRIMINATION ARTICLE (WHICH AUSTRALIA DOES NOT ACCEPT) WOULD PROHIBIT APPLICATION OF SUCH TAX UNLESS SPECIFICALLY EXCEPTED FROM ARTICLE'S COVERAGE.

2. U.S. VIEWS BRANCH PROFITS TAX AS LOGICAL EXTENSION OF DIVIDEND WITHHOLDING TAX FOR SUBSIDIARIES AND HAS BEEN PREPARED TO AGREE IN TREATIES TO NONDISCRIMINATION EXCEPTION TO PERMIT TAX TO APPLY (E.G., FRANCE, CANADA, PHILIPPINES), AS LONG AS GENERAL FORM OF TAX ACCEPTABLE AND IS CONSISTENT WITH WITHHOLDING TAX ON SUBSIDIARY DIVIDENDS.

3. IN JULY 1977 DISCUSSIONS IN CANBERRA, U.S. DEL
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INDICATED THAT IN PRINCIPLE, ADOPTION OF SUCH TAX WOULD NOT OFFEND U.S., SUBJECT TO U.S. REVIEW OF TECHNICAL ASPECTS, AND IF AGREEMENT REACHED ON NONDISCRIMINATION ARTICLE, THERE WOULD PROBABLY BE EXCEPTION FOR BRANCH PROFITS TAX.

4. IS NOTHING IN PRESENT U.S. AUSTRALIA TREATY TO

PREVENT GOA APPLICATION OF BRANCH PROFITS TAX TO U.S.
COMPANIES. VANCE

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Message Attributes

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